

Message Text

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20

ACTION AF-06

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

DODE-00 PA-01 USIA-06 PRS-01 IGA-01 PM-03 L-02 H-01

/080 W

----- 063567

R 070735Z MAR 75

FM AMEMBASSY DAR ES SALAAM

TO SECSTATE WASHDC 7599

AMEMBASSY NAIROBI

INFO AMEMBASSY BUJUMBURA

AMEMBASSY KIGALI

AMEMBASSY LUSAKA

AMCONSUL ZANZIBAR

LIMITED OFFICIAL USE DAR ES SALAAM 0676

E.O.11652: N/A

TAGS: PFOR, EFIN, KE, TZ, UG

SUBJECT: NO IMMEDIATE PROSPECT OF RESOLVING EAST AFRICAN
COMMUNITY FINANCIAL PROBLEMS

REF: DAR ES SALAAM 0610 (NOTAL)

1. REFTEL REPORTS DELIVERY OF NYERERE LETTER TO KENYATTA
IN BACKGROUND OF CONTINUING DIFFERENCES OVER DIVIDING FOREIGN
EXCHANGE COSTS OF EAST AFRICAN COMMUNITY (EAC) CORPORATIONS
AMONG MEMBER STATES. BANK OF TANZANIA GOVERNOR NYIRABU (ONE
OF SEVEN MEMBERS OF EAC'S MTEI COMMITTEE FORMED TO RESOLVE
ISSUE) BROUGHT PROBLEM INTO SHARPER FOCUS IN CONVERSATION
WITH EMBOFF THIS WEEK. NYIRABU EXPLAINED THAT PROBLEM IS
SIMPLY ONE OF KENYA WISHING TO REDUCE ITS CONTRIBUTION TO
EAC CORPORATIONS. MATTER COMPLICATED BY KENYA RECEIVING
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MORE OF EAC FOREIGN EXCHANGE EARNINGS THAN OTHER MEMBER STATES

AND SIMPLY BLOCKING THEIR TRANSFER WHEN EAC CORPORATION WISHES TO REMIT PAYMENT OVERSEAS.

2. WITHIN MTEI COMMITTEE SENIOR EAC MEMBER STATE FINANCE AND CENTRAL BANK OFFICIALS, ACCORDING TO NYIRABU, SIMPLY DO NOT HAVE POWERS TO WRITE COMPROMISE FORMULA. HE POINTED OUT THAT BY FAILURE OF THREE CHIEFS OF STATE TO MEET, "POLICY IS BEING MADE IN A VACUUM". AMIN, HE NOTED, DOES NOT TAKE INTEREST IN EAC MATTERS, LEAVING DEADLOCK IN EAC WHEN NYERERE AND KENYATTA DISAGREE. NYERERE LETTER TO KENYATTA WAS REAL EFFORT BY TANZANIAN PRESIDENT TO RESOLVE FINANCIAL ISSUE. GOVERNOR NOT OPTIMISTIC THAT KENYATTA WILL STAND DOWN SOON FROM HIS POSITION OF CUTTING BACK ON KENYA'S CONTRIBUTION.

3. COMMENT: OFFICIALS WE TALK TO HERE ARE GENERALLY CONFIDENT THAT THIS CONTINUING FINANCIAL ISSUE WILL BE RESOLVED BUT FORESEE IT HAPPENING LATER RATHER THAN SOONER. GENERAL FEELING IS THAT THERE STILL PLENTY OF BUMPS AHEAD ON EAST AFRICAN UNITY ROAD, AND NO REAL RESOLUTION OF OUTSTANDING PROBLEMS CAN BE ACHIEVED UNTIL THERE ARE THREE CHIEFS OF STATE IN DAR ES SALAAM, KAMPALA AND NAIROBI THAT CAN COMFORTABLY SIT AROUND TABLE AND TALK DIFFERENCES INTO AGREEMENTS.
CARTER

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Margaret P. Grafeld
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